

income over \$100,000, who only have to pay taxes on the first \$76,200 of income, but to American families earning less than \$25,000—40 percent of all households—it is a tremendous bite. The total payroll tax paid by an individual earning \$25,000 per year and his employer is \$3,825. This is several times greater than their income tax bill. For those who propose spending the Social Security tax surplus to enhance Social Security or Medicare benefits, it is worth noting that the lowest 40 percent of American earners pay more than 40 percent of the benefits for both Social Security and Part A Medicare. And those are the individuals most apt to be uninsured.

Barrier No. 4 is the burden of debt.

Consumer debt has a major impact on a household's ability to save. According to the latest SCF, households earning less than \$25,000 annually bear the most significant burden of debt compared to their income. The median ratio of debt payments to income among those earning less than \$10,000 is 20.3 percent; among those earning \$10,000 to \$25,000, the ratio is 17.8 percent. In fact, 32 percent of those making less than \$10,000 pay more than 40 percent of their income in debt payments, an increase of 16 percent since 1995. About 20 percent of those making between \$10,000 and \$25,000 devote more than 40 percent of their income to debt payments. Finally, 15.1 percent of households with less than \$10,000 of income had debt payments 60 days past due—a doubling since 1995—which not only reflects an inability to keep up with debt payments but also contributes to bad credit and an inability to purchase a future home, etc.

The Federal Government's publicly-held debt also has an indirect impact on the ability of workers to save. As a major borrower, the Federal Government increases interest rates. Higher interest rates lower private capital formation, which in turn hampers growth in productivity and living standards. In addition, higher interest rates on government debt translate into higher interest rates on mortgages, student loans, and credit card debt. When individuals pay higher interest rates, fewer resources are available for saving and investing.

With all of these barriers to wealth accumulation, what can we, as lawmakers, do to eliminate these barriers? I believe the answer is twofold. We must create new savings incentives for low and moderate income workers and we must create a mandatory savings mechanism for all workers.

A number of legislation initiatives have been offered to help low and income workers save. For years, Senator LIEBERMAN has championed an effort to expand Individual Development Accounts beyond a pilot program. IDAs are a way to encourage lower income folks to save for the purchase of a home, the establishment of a business, or education.

President Clinton has offered an interesting plan to get low and moderate

income families to participate in employer pension plans through a government savings match program. While Senators GRAHAM and GRASSLEY and Representatives PORTMAN and CARDIN have offered comprehensive pension reform proposals designed to expand pension coverage among low income workers.

I, along with a bipartisan group of Senate and House Members, have introduced a Social Security reform plan that allows workers to put a portion of their FICA tax dollars into individual savings accounts. Our plan also calls for an additional government savings match program for low income workers. In addition, our plan calls for opening mandatory savings accounts at birth through the KidSave program.

What would this plan do? Fifty years from now we would have a much different wealth distribution situation in America. Men and women who today have no chance of accumulating real wealth would accumulate the kind of wealth that provides them with meaningful financial security. A new generation of Americans would be heading toward their retirement years less dependent on government transfers for health or income. If this plan were enacted, it would immediately change Americans' attitude towards saving on account of informing tens of millions of the power of compounding interest rates.

Sadly, critics of this proposal to help low income workers acquire assets and share in the growth of the American economy too often misdescribe the impact. The key line that is used in opposition is: "I am against privatization of Social Security." This line will usually produce a round of applause with senior groups who would not be affected by any of the proposals. Even sadder, these critics are also the same ones who prefer to merely offer solutions that include transferring more income and thereby increasing dependency on the Government. I do not believe proposals that merely transfer more income will solve the problem of inequitable distribution of wealth.

Ownership of wealth is a much more reliable way of becoming financially secure in old age than promises by politicians to tax and transfer income. Ownership of wealth produces greater independence and happiness. The maldistribution of wealth, the rich getting richer and the poor getting poorer, is not healthy for a liberal democracy and a free market economy such as ours. The costs of financing health and retirement income needs of the baby boom generation exceeds the tax paying capacity of the generations that follow them.

So, Mr. President, after we have spent time debating the need to solve the problem of income inequality we need to turn to the matter of wealth inequality. And when we do we will quickly learn that we will not solve the problem of the rich getting richer and the poor getting poorer by beating up

on the rich. We will solve the problem by lifting the poor out of poverty with programs that enable them to accumulate wealth in a variety of ways including modernizing and improving the Social Security program so that it becomes a means of saving money and a mechanism for transferring income.

I yield the floor.

The PRESIDING OFFICER. The Senator from Iowa.

Mr. GRASSLEY. Mr. President, I yield 1 minute of my time to the Senator from Idaho.

The PRESIDING OFFICER. The Senator from Idaho is recognized.

AIDAN MICHAEL CRAIG

Mr. CRAIG. Mr. President, at the end of the day, we are going to be adjourning for the Easter recess, or at least that is what is anticipated at this time. This Easter recess is going to be a special time for me because I am going home to Idaho to see a new grandbaby I have not yet seen, except by pictures that have been transmitted through the Internet.

His grandmother has already been out there to hold him in her arms. Both Suzanne and I are extremely excited that our son Mike and his wife Stephanie have provided us with a beautiful new grandbaby called Aidan Michael Craig.

We have already enjoyed the excitement of grandmother and grandfatherhood, and now we have one more extension of that. This coming week, I am going to have that unique privilege that only comes with being a grandparent; that is, to hold that grandbaby in your arms. This Easter recess is a special time for me. I wanted to share with all of my colleagues in the Senate that it will be a joyous time for both me and my wife Suzanne.

The PRESIDING OFFICER. The Senator from Iowa.

Mr. GRASSLEY. Mr. President, I yield myself such time as I may consume off the time allotted to this side of the aisle. We have 44 minutes remaining; is that right?

The PRESIDING OFFICER. The Senator is correct. The Senator from Iowa is recognized.

REDUCING TAXES FOR MARRIED COUPLES

Mr. GRASSLEY. Mr. President, I take this opportunity, at the start of debate on this important bill to reduce taxes for married couples by eliminating the marriage tax penalty, to give some reaction to comments made from the other side of the aisle yesterday. My reaction probably should have been given last night, but the environment at that time was such that other Members wanted to speak on issues other than the marriage tax penalty, so I did not take advantage of the opportunity. It would have been more appropriate for me to respond to the Senate minority leader and other Members